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Via Electronic Filing

Ms. Jocelyn G. Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Docket No. 2011-82-G – Request of ORS for Suspension of Hedging Programs

Dear Ms. Boyd:

On February 24, 2011, the Office of Regulatory Staff ("ORS") filed a letter in this proceeding seeking the suspension of the previously approved natural gas hedging programs operated by Piedmont Natural Gas Company ("Piedmont") and South Carolina Electric and Gas Company ("SCE&G"). The ORS' request was based on its analysis of the impact of recently discovered domestic shale gas plays on the wholesale supply market in the United States and the probable costs/benefits of continued hedging by SCE&G and Piedmont.

Piedmont's analysis agrees with the ORS' assessment of the impact shale gas has had on short and long term pricing in the wholesale natural gas market and Piedmont has been continuously evaluating the operation of our hedging plan in this environment. In response to the impact of shale gas on wholesale prices, and the projected long term decline in price volatility in that market, Piedmont has already significantly adjusted its hedging activities consistent with the terms of its approved hedging program. These adjustments include: (1) reducing the amount of annual supplies hedged, (2) reducing the period over which supplies are hedged, and (3) simplifying the tools through which Piedmont hedges to eliminate the sale of puts, thereby reducing the risk of significant costs arising from its hedging activities.

Under current market conditions, Piedmont believes that ORS' suggestion to suspend Piedmont's hedging plan is not unreasonable. Piedmont also believes, however, that some degree of volatility will continue to exist in the wholesale natural gas market, prompted by unpredictable events such as freeze-offs, hurricanes, or upstream capacity/supply curtailments as well as the possibility of environmental issues arising over the fracking activities associated with shale gas development. As such, Piedmont's current hedging program provides some degree of "disaster" protection to its customers by operating at its current reduced level. The costs of providing this disaster protection, in the current pricing environment, are projected to be in the range of $700,000 to $2,000,000 annually. In light of these facts, Piedmont believes that a continuation of its current hedging activities is also reasonable and prudent.

Piedmont appreciates the opportunity to advise the Commission of its thoughts on the continuation of hedging on behalf of its customers and hereby advises the Commission that it will promptly comply with any decision of the Commission on this subject.

Sincerely,

s/ Scott M. Tyler
Scott M. Tyler

SMT/bao

c: Jeffrey M. Nelson, ORS
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